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**European Review**



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**11 September 1985**

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European Review

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**Western Europe-Cuba: A Thaw in Relations**

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After keeping Castro at arm's length for more than two decades, West Europeans are pursuing friendlier relations with Cuba in hopes of using his desire for Western technology and trade to influence his foreign policies. The French and Spanish Governments in particular believe that Castro's international political behavior has become less radical and that a more conciliatory US policy toward Cuba and Nicaragua could facilitate agreements on Angola and Central America. Paris is even considering a small joint-aid program with Havana in Africa to encourage Castro's "moderation." The thaw in West European-Cuban relations, however, does not suggest that West European governments will radically change their policies toward Havana. They remain sensitive to Castro's sad human rights record, and they are unwilling to risk serious damage to their relationship with Washington over Cuba.

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*Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as uncoordinated views.*

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**Briefs****West Germany****Labor-Government-Business Discussions**

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The Kohl government and the West German Trade Union Confederation held tripartite talks on unemployment with business leaders earlier this month. The meeting was the first of its kind since 1977, when the unions withdrew from regular discussions of macroeconomic problems between the public and private sectors to protest an employers' legal challenge to labor-management "codetermination." The three sides agreed on the need to reform job training programs and old-age pensions, but Bonn rejected labor's call for a new DM 50 billion jobs-creation program.

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The meeting is a political plus for Chancellor Kohl following poor Christian Democratic showings in the polls and in two recent state elections—reflections in part of the voters' concern over unemployment. Social Democratic spokesmen questioned the value of the meeting and warned the unions against a "government embrace," according to press and US Embassy reports. The unions, however, are unlikely to lessen their criticism of Kohl's policies; they probably are trying to demonstrate moderation to the public and gain some leverage with the government. The unions are planning nationwide demonstrations against Kohl's austerity measures in October, and labor-government relations may worsen sharply if Kohl follows through with plans to introduce legislation weakening the unions' powers in contract negotiations.

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**New Emphasis on Antiarmor Program**

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According to US Army reporting, the Ministry of Defense has decided to postpone introduction of the Leopard III main battle tank until the year 2000 and is now giving top priority to a long-range antitank system—which can be deployed against helicopters—currently in the test stage. The West German MOD apparently believes that, for the immediate future, the most cost-effective alternative to the expensive Leopard III is an antitank weapon, particularly since its life cycle costs would be considerably lower than those of a tank or helicopter.

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The new antiarmor system is being developed by a joint West German, French, and British consortium and will be employed on an armored vehicle. It will be more effective than helicopters as an antihelicopter weapon because it lacks the distinctive thermal, visual, and acoustic signatures of helicopters. The fire-and-forget missile, designated "Trigat," will have a passive infrared seeker system requiring line-of-sight targeting. Due to the missile's 3,000 to 5,000 meter range, allowing deployment to rear areas, the system should be more survivable than existing antiarmor systems.

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Former Minister of Economy and Finance Miguel Boyer has been named head of the state-controlled Banco Exterior de Espana, the eighth-largest bank in Spain and the major supplier of export credit. Boyer announced two major goals he hopes to accomplish in his tenure—adapting the financing needs of the export sector to EC accession and adapting bank policies to domestic financial requirements.

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Since leaving his post in July as the “Superminister” in charge of economic policy, Boyer has been surrounded by a cloud of controversy. His resignation was prompted by a feud with Vice Premier Alfonso Guerra, an advocate of expansionary policies.

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The decision by Economy and Finance Minister Carlos Solchaga to name Boyer as head of Banco Exterior rather than Julian Campos—the left wing’s choice for the post and Boyer’s chief antagonist in the old economic cabinet—has sparked new party infighting. Hard feelings over past disputes persist, and Boyer’s rivals are concerned over the influence he may have on economic policy from his new post. Their concerns are probably well-founded—as chief of one of Spain’s largest banks, Boyer could easily stage a comeback, although as Solchaga’s mentor he hardly needs an official position to gain access to his successor.

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**Canada****Contradictory Moves on Foreign Investment** 

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On 6 July, just six days after the inauguration of Investment Canada—an agency charged with encouraging foreign investment—Minister of Communications Marcel Masse announced strict new controls on foreign investment in publishing. The new policy represents an attempt to Canadianize the “culturally sensitive” industry, currently 80-percent foreign owned. Under the policy, foreign investment is welcome in Canadian-controlled joint ventures, but foreign acquisition of existing firms will be authorized only if the purchaser agrees to divest control to Canadians within two years. The regulations may affect several pending investment applications, the largest being Gulf and Western’s indirect acquisition of Prentice-Hall Canada via its purchase of the Canadian company’s US parent firm.

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The Mulroney government has been under strong attack from nationalists for an overly pro-US stance. Ottawa probably is gambling that by appeasing its critics on the publishing issue it will have more freedom of maneuver on more important matters such as bilateral trade liberalization with the United States. Nevertheless, the Canadianization moves risk undercutting efforts to improve Canada’s image as a location for foreign investment. Investors in the publishing sector are likely to object to forced divestiture, and foreign governments are already protesting the inclusion of indirect acquisitions in the policy as an extraterritorial application of Canadian law.

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East Germany	Improving Relations With China		25X1
	A recent high-level meeting between East German and Chinese officials may be setting the stage for improved relations. East Berlin gave prominent media coverage to Vice Premier Schuerer's recent call on Chinese party leader Hu Yaobang—the highest level contact between East Germany and China in more than 20 years—and the signing of a five-year bilateral trade protocol.		
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	East Germany hopes to be in the forefront of Moscow's efforts to ease tensions with China.		
	East Berlin's publicity may signal interest in beginning work on renewing ties to the Chinese Communist Party, which lapsed during the Sino-Soviet split in the mid-1960s.		
Czechoslovakia	East German party officials,		
	also hope to woo the Chinese into attending a world conference of Communist parties that the Soviets want within the next five years. Forward movement on establishing ties between the two Communist parties could be delayed, however, while East Berlin seeks Moscow's consent for pursuing such relations. Moving cautiously, the Chinese gave considerably less media coverage than East Berlin to recent developments.		
	Diminishing Trade With Nonsocialist Countries		25X1
	Czechoslovakia's trade with nonsocialist countries—primarily the developed West—continued its steep slide during the first six months of 1985, declining 11.8 percent compared to the same period a year ago. The nonsocialist countries' share of Czechoslovak foreign trade has fallen below 20 percent compared with 30 percent in 1980. Exports were down 12.4 percent, well below the planned 14-percent target, but Prague still recorded a robust half-year trade surplus of \$427 million. Because of the downturn in exports and continued priority on debt reduction, Prague cut imports by more than 11 percent despite plans for a 14-percent increase.		
	This policy makes little sense. Czechoslovakia's debt is already low, and it has untapped borrowing capacity. The import restraints are depriving Czechoslovakia's aging industry of badly needed modern plant and equipment. The policy apparently results from the regime's perception that it must reduce hard currency debt in order to limit its vulnerability to Western political leverage.		

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<b>Hungary-Czechoslovakia</b>	<b>Budapest Agrees to Dam Project</b> <span style="border: 1px solid black; display: inline-block; width: 70px; height: 1.2em; vertical-align: middle;"></span>	25X1
	<p>Hungary's announcement last month that it will proceed with a joint project with Czechoslovakia to build a series of dams, canals, and power stations along their Danube River border ended several years of temporizing and removed a potentially serious irritant in bilateral relations. Budapest's reservations about the scheme originally agreed upon in 1977 had centered on the project's high cost and low return and fears that it would cause severe environmental damage. A study by the Hungarian Academy of Sciences <u>concluded that the project was both economically and ecologically unsound,</u> <span style="border: 1px solid black; display: inline-block; width: 280px; height: 1.2em; vertical-align: middle;"></span></p> <p><span style="border: 1px solid black; display: inline-block; width: 90px; height: 1.2em; vertical-align: middle;"></span> The project also met with some public opposition, spearheaded by a group of environmental activists who last year collected several thousand signatures on an "antidam" petition and this summer tried to field "antidam" candidates in the National Assembly election. <span style="border: 1px solid black; display: inline-block; width: 70px; height: 1.2em; vertical-align: middle;"></span></p> <p>Budapest probably decided to go ahead despite its misgivings in order to avoid an open rift with Czechoslovakia. Prague, <span style="border: 1px solid black; display: inline-block; width: 190px; height: 1.2em; vertical-align: middle;"></span> has been insistent on Hungary's participation. Moscow's reported support of the Czechoslovak position and its general desire for greater solidarity and cooperation among its allies—a point that was strongly reaffirmed in a <i>Pravda</i> article this summer—may also have played a role in convincing Budapest to honor its commitment. The Hungarian decision thus far has not created a domestic outcry, but the nascent environmental movement may be able to use it as a rallying point to force the regime in the future to demonstrate more concern for ecological issues.</p> <p><span style="border: 1px solid black; display: inline-block; width: 85px; height: 1.2em; vertical-align: middle;"></span></p>	<p>25X1</p> <p>25X1</p> <p>25X1</p> <p>25X1</p> <p>25X1</p> <p>25X1</p> <p>25X1</p>
<b>Yugoslavia</b>	<b>Controversial Bill Adopted</b> <span style="border: 1px solid black; display: inline-block; width: 60px; height: 1.2em; vertical-align: middle;"></span>	25X1
	<p>A seven-month legislative battle between Serbia and its autonomous province of Vojvodina came to an end on 28 August when the Yugoslav Assembly adopted a controversial planning bill. The bill limits the right of Serbia's two provinces to draw up economic plans independently. The Assembly's Federal Chamber adopted the bill by a vote of 118 to 17, with 11 abstentions, after Vojvodina a month earlier had employed parliamentary procedures to have the bill handled by consensus. Some representatives of Serbia's other province, Kosovo, spoke in favor of the Vojvodina position. <span style="border: 1px solid black; display: inline-block; width: 75px; height: 1.2em; vertical-align: middle;"></span></p> <p>The outcome reflects at least a partial success for Serbian efforts to gain greater control over its provinces. The decision also shows a new determination by the Federal Chamber to use majority voting when necessary instead of the more cumbersome consensus procedures. The struggle between Serbia and its provinces is likely to continue. While Serbia recently succeeded in getting the party Presidium to adopt a document setting guidelines for intra-Serbian relations, provincial leaders have already complained about Serbian attempts to exploit it unfairly. <span style="border: 1px solid black; display: inline-block; width: 80px; height: 1.2em; vertical-align: middle;"></span></p>	<p>25X1</p> <p>25X1</p>

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**Poland****Education Amendments** 

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Parliament has passed restrictive amendments to the liberal 1982 Higher Education Law after last-minute revisions intended to blunt student and academic opposition. Although the government dropped proposals abolishing tenure and limiting contracts for senior faculty, the law still provides for greater central government control over university activities. The Minister of Science and Higher Education is given authority to ensure teachers take a loyalty oath before employment, reassign troublesome instructors, and approve university election lists. Other changes allow rectors to call in police to stop protests—which are now grounds for expulsion—give the party-controlled national students associations the exclusive right to represent students, and require the revision of university charters to conform with a new model statute.

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Passage of the amendments is part of a broader regime effort designed to limit Dissent. The government first expressed dissatisfaction with the law in early 1984 after the election of three pro-Solidarity rectors at major universities and several protests on campuses. The regime's proposed changes—initiated last fall—soon came under fire after the Main Council, a strong advocate of university autonomy, solicited reaction from the universities. After holding two meetings with academics in June, the government abruptly cutoff consultations with academics, apparently to pass the legislation before the new school year. The government also may have moved quickly to prevent the campuses from becoming a staging ground for opposition to the October parliamentary elections and provide a legal tool to intervene in the event of protests.

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## Western Europe-Cuba: A Thaw in Relations

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After keeping Castro at arm's length for more than two decades, West Europeans are pursuing friendlier relations with Cuba in hopes of using his desire for Western technology and trade to influence his foreign policies. The French and Spanish Governments in particular believe that Castro's international political behavior has become less radical and that a more conciliatory US policy toward Cuba and Nicaragua could facilitate agreements on Angola and Central America. Paris is even considering a small joint-aid program with Havana in Africa to encourage Castro's "moderation." The thaw in West European-Cuban relations, however, does not suggest that West European governments will radically change their policies toward Havana. They remain sensitive to Castro's sad human rights record, and they are unwilling to risk serious damage to their relationships with Washington over Cuba.

### French Initiatives

French presidential adviser Guy Penne's visit to Havana in June may have signaled a new stage in France's relations with Cuba. According to the French Ambassador in Havana, Penne discussed with Castro and other Cuban officials the possibility of joint assistance programs in Africa. The idea of French-Cuban cooperation reportedly has provoked considerable controversy at the Foreign Ministry. According to US diplomats, some officials favor collaboration with Cuba in development projects in the belief that it would encourage Castro's moderation and even restrain him militarily. Although Castro told Penne that Cuba would maintain troops in Angola as long as the frontline states want them there, these officials believe that Castro wants to improve his image in Africa by deemphasizing his military activities and association with the Soviets and stressing development aid. They maintain that it would be to France's advantage to cooperate with the Cubans in areas where they already are present to exercise some control over their activities and, perhaps, prevent them from moving to new regions. They consider Burkina (Upper Volta),

where Cuba has technical advisers but no military personnel, as particularly suited to Franco-Cuban cooperation.

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Other officials, in contrast, have repudiated the idea of joint assistance programs and doubt that anything will come of it. They have pointed to a similar French agreement with Brazil that was never implemented. The decision on French-Cuban aid cooperation is likely to be made in the President's office rather than the Foreign Ministry, but we believe that the view of skeptics at the Quai probably will prove to be correct. Continuing economic problems, in our opinion, make it unlikely that the French Government will allocate the necessary funds for Franco-Cuban development projects.

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### Spanish Views

Because of its special interest in Latin America, the Spanish Government has sought to play a role in bringing peace to the Central American region. Prime Minister Felipe Gonzalez reportedly believes that US policy toward Cuba and Nicaragua is largely responsible for the stalemate in the Contadora negotiations, which he has strongly supported as the only means for achieving a lasting peace settlement. Gonzalez shares the French view that Washington exaggerates Cuba's military presence in Nicaragua and support for leftist guerrilla movements in the Central American region. According to US Embassy reports, he maintains that Castro no longer pursues revolutionary goals in the area, but instead wants to play a "calming role" there. Gonzalez thinks that Castro would make concessions on Central America and Angola, if Washington normalized its relations with Havana, particularly in the trade area.

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US diplomats have reported that Gonzalez would like to act as an informal "broker" between Cuba and the United States. His special rapport with Castro, however, appears to have cooled recently—at least for

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the time being. In a recent speech to Latin American trade unionists, Cuba's "lider maximo" expressed his anger at the recent cancellation of Gonzalez's trip to Havana. Castro, who previously had pointed proudly to his Spanish ancestry, claimed to be a fullblooded Indian and even referred to the Spanish conquest of Latin America as a "terrible murder spree." [ ]

#### **Other West Europeans**

Contacts between Cuba and West European countries other than France and Spain also have intensified considerably since Castro visited Madrid in 1983 on his return from Soviet leader Andropov's funeral, his first visit ever to Western Europe. With increasing frequency, prominent politicians, cultural and scientific delegations, trade union leaders, and businessmen from West Germany, Britain, Italy, the Netherlands, and Sweden are traveling to Havana, reflecting a growing belief that the West's isolation of Cuba only hurts its interests in Angola and Central America. For example, last year former British Prime Minister Heath and former West German Chancellor Brandt visited Havana, and Italian Foreign Minister Andreotti reportedly may make a short stopover in Cuba if he goes to Argentina this month. [ ]

The diplomatic traffic has not been one-way. Cuban ministers have made the rounds in European capitals to seek sympathy for Latin America's debt problem. US Embassy reports indicate that Castro also may soon visit several countries in Europe. France, Spain, and Sweden have issued formal invitations; Greece has also expressed interest in hosting him. [ ]

#### **Trade Ties**

Cuba's efforts to boost economic ties to Western Europe thus far have had only limited success. The West Europeans would like to increase their exports to Cuba, but tight Paris Club guidelines, following Cuba's debt reschedulings in 1983, 1984, and 1985, have constrained Cuban imports. West European imports from Cuba generally remain small, partly because the island lacks the necessary infrastructure to increase its export potential and partly because EC members already are committed to buying sugar—and other commodities that Cuba sells—from signatories of the Lome Agreement. [ ]

Because of Cuba's continuing debt problems, some West European governments are reluctant to authorize new trade credits, and West European exporters often have difficulty obtaining insurance coverage. West Germany's Hermes export insurance agency, for instance, has suspended coverage for exports to Cuba. Although Hermes claims that economic considerations alone determined the decision, political factors probably played a role as well. The West German Government has not rescheduled Cuba's debt because Havana refuses to accept the "Berlin Clause," which Bonn attaches to all bilateral agreements.<sup>1</sup> [ ]

Spain, France, and Italy have shown the greatest sympathy for Cuba's economic plight. Last year, Spain and Cuba signed a new commercial protocol under which Spanish exports are to increase roughly 80 percent and imports 20 percent over 1983. Madrid also has authorized \$20 million in new credits for the construction of a petroleum pipeline. Paris last year guaranteed sizable commercial bank credits for mainly agricultural exports. Italy in 1983 extended two new lines of credit. [ ]

COCOM governments last February agreed to control—at the national level—exports to Cuba of embargoed equipment and technology, although Cuba is not officially on the COCOM list. However, since export controls to Cuba are not applied uniformly by all COCOM members, Cuba has had some success in acquiring Western technology and ammunition:

- A few months ago Cuban front companies in Panama purchased 400 million rounds of .22 caliber rifle cartridges made by the French company Besson.
- The Italian firm Olivetti recently sold Havana desktop computers and word processing equipment. French officials assured US diplomats that the contract for the Besson cartridges had been concluded before the COCOM agreement on Cuba. While this may be true, we believe that West European countries

<sup>1</sup> The Berlin Clause stipulates that the terms of the agreement apply to West Berlin as well as West Germany. Cuba, which follows the Soviet practice of emphasizing the special status of West Berlin, rejects the clause because it implies West Germany has authority in the city. [ ]

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will continue to sell technology and ammunition to Cuba because of the lack of a clear understanding among COCOM governments on which items should be subject to export controls. [redacted]

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**Prospects**

West European governments and political parties—particularly those with leftist leanings—probably will continue to pursue friendlier relations with Cuba to encourage the “positive evolution” of Castro’s foreign policies and to demonstrate their independence from the United States. Political cooperation with Havana, however, is likely to remain limited, partly because the West Europeans do not want to strain excessively their relationship with Washington, and because they do not forget that Cuba is a Communist state with a dismal human rights record. Concern about Washington’s reaction was undoubtedly an important factor in Prime Minister Gonzalez’s decision to cancel his trip to Cuba, although the official explanation emphasized domestic political reasons. French President Mitterrand also probably will not make an official stop in Cuba when he travels to Brazil this fall, because, in addition to not wanting to annoy the United States, France has not resolved differences with Cuba over the size of a planned French cultural center in Havana. [redacted]

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The West European–Cuban relationship will be constrained not only by the West Europeans’ ambivalences, but by Havana’s as well. Castro will continuously be torn between reaffirming ideological principle and demonstrating greater pragmatism. He is likely to become more militant again if his friendly gestures toward Western Europe fail to produce a more conciliatory US attitude or substantial economic benefits. [redacted]

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